

Message Text

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PAGE 01 MONTRE 01738 061712Z
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AMCONSUL QUEBEC

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E.O. 11652: NA
TAGS: EFIN, PINT, CA
SUBJECT: GONE TODAY, HERE TOMORROW: PARIZEAU'S PLAN TO RECOUP SALES
TAX

REF: A) MONTREAL 1675, B) MONTREAL 1705

1. IN ANOTHER ADROIT POLITICAL PERFORMANCE, MINISTER OF FINANCE
JACQUES PARIZEAU ON AUGUST 31 ANNOUNCED THE GOVERNMENT'S PLAN
TO RECOUP THE DOLS 186 MILLION IN SALES TAXES THAT HAVE BEEN RE-
FUNDED DIRECTLY TO QUEBEC TAXPAYERS BY THE FEDERAL GOVERNMENT.
IN ESSENCE, QUEBEC WILL ALLOW INDIVIDUAL TAXPAYERS TO KEEP THE
DOLS 85 CHECKS THEY HAVE ALREADY RECEIVED, BUT WILL POSTPONE THE
INDEXATION OF PERSONAL INCOME TAX EXEMPTIONS PROMISED FOR
1979 UNTIL 1980. ALTHOUGH CLASSED AS A GIFT TO THE CITIZENS
OF QUEBEC BY PARIZEAU, A CLOSER LOOK AT THE MECHANICS OF THE
PLAN REVEALS THERE MAY BE AS MUCH GIVING AS RECEIVING ON
THE PART OF THOSE CITIZENS ON THE UPPER END OF THE WAGE
SCALE. FOR EXAMPLE, A TAXPAYER EARNING DOLS 13,700 WILL HAVE
DOLS 72 ADDED TO HIS 1979 BILL UNDER THE PLAN, LEAVING HIM A NET OF
JUST DOLS 13 FROM THE DOLS 85 RETURNED BY THE FEDERAL GOVERNMENT. A
MARRIED TAXPAYER WITH NO CHILDREN EARNING DOLS 20,000 WILL HAVE DOLS
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PAGE 02 MONTRE 01738 061712Z

87 ADDED TO HIS TAX BILL (A MINUS DOLS 2), AND THAT SAME TAXPAYER
EARNING DOLS 35,000 WILL PAY AN ADDED DOLS 102 (A MINUS DOLS 17).
DESPITE THE ARITHMETIC, IT IS PROBABLE THAT MOST VOTERS WILL ONLY RE-
MEMBER THAT THE GOVERNMENT ALLOWED THEM TO "KEEP" THEIR DOLS 85
RETURNS. THE PLAN IS DOUBLY SHREWD BECAUSE QUEBEC INTENDED TO
INTRODUCE INDEXATION FOR THE FIRST TIME IN 1979, SO MANY TAX-
PAYERS WILL NOT SUFFER A PALPABLE SENSE OF LOSS NEXT YEAR WHEN

THEY FILL OUT THEIR TAX FORMS IN THE SAME WAY THEY HAVE ALWAYS DONE. THE 3,000 PARTI QUEBECOIS LOYALISTS WHO FORWARDED THEIR DOLS 85 CHECKS TO QUEBEC WILL HAVE THEM RETURNED WITH A SPECIAL LETTER OF THANKS FROM PARIZEAU. THE 6 PERCENT INDEXATION RATE FOR 1979 WILL NOW TAKE EFFECT ON JANUARY 1, 1980 ALONG WITH ANOTHER RATE WHICH WILL BE ANNOUNCED IN THE APRIL BUDGET MESSAGE.

2. THE GOVERNMENT'S PLAN WILL BRING IN ADDED REVENUES OF DOLS 145 MILLION IN 1979. THIS WILL LEAVE A SHORTFALL OF DOLS 41 MILLION WHICH PARIZEAU SAID WILL BE RASIED THROUGH OTHER MEASURES "WHEN WE KNOW MORE ABOUT THE FEDERAL GOVERNMENT'S SPENDING REDUCTIONS", REFERRING TO OTTAWA'S RECENTLY ANNOUNCED EXPENDITURE CUTS. THE DOLS 1.5 BILLION RESERVE FUND WHICH THE GOVERNMENT HAS ALREADY ACCUMULATED TOWARDS NEXT YEAR'S OBLIGATIONS MAKES THE QUESTION OF THE DOLS 41 MILLION LESS URGENT THAN APPEARS. THE ANNOUNCEMENT CONCLUDED BY POINTING OUT THAT TAXES HAD BEEN CUT A TOTAL OF DOLS 754 MILLION SINCE THE FIRST OF THIS YEAR, A FACT WHICH PARIZEAU HAILED AS "A BASIS FOR THE RECOVERY OF THE ECONOMY".

3. COMMENT: PARIZEAU HAS BECOME THE INDISPUTED SUPERSTAR OF THE LEVESQUE CABINET. HIS SERIES OF IMPRESSIVE PERFORMANCES (SEE REFS A AND B) OVER THE PAST FEW WEEKS HAS ADDED IMMENSELY TO THE CREDIBILITY OF THE P.Q.'S ECONOMIC POSTURE, WHICH UNTIL NOW HAS BEEN ONE OF THE MOST VULNERABLE POINTS IN THE PARTY'S MAKEUP. MOREOVER, THE SHARP CONTRAST OF PARIZEAU'S AIR OF COOL COMPETENCE WITH THE FISCAL CONFUSION PRESENTLY EMANATING FROM OTTAWA IS UNCLASSIFIED

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PAGE 03 MONTRE 01738 061712Z

CERTAINLY NOT BEING LOST ON THE QUEBEC VOTER. HE APPEARS TO BE DEMONSTRATING THAT TIME IS ON HIS SIDE. GIVEN HIS DEFT POLITICAL TOUCH, WE CAN ANTICIPATE THAT HE WILL DO ALL HE CAN TO KEEP THAT IMPRESSION ALIVE AND WELL OVER THE COMING MONTHS.
HARPER

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